

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

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J. MICHAEL CHARLES; MAURICE W. WARD, JR.; and JOSEPH I. FINK, JR., on behalf of themselves and all others similarly situated	:	
	:	
	:	
Plaintiffs,	:	CIVIL ACTION
	:	
v.	:	NO. 05-702 (SLR)
	:	
PEPCO HOLDINGS, INC.; CONECTIV, and PEPCO HOLDINGS RETIREMENT PLAN,	:	<b><u>REDACTED VERSION</u></b>
	:	
	:	
Defendants	:	
	:	

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**APPENDIX TO DEFENDANTS' ANSWERING BRIEF  
IN OPPOSITION TO PLAINTIFFS' MOTION FOR CLASS CERTIFICATION**

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Dated: February 16, 2007

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# EXHIBIT 1

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE**

J. MICHAEL CHARLES; MAURICE W. WARD,  
JR.; and JOSEPH I. FINK, JR., on behalf of  
themselves and all others similarly situated,

Plaintiffs,

v.

PEPCO HOLDINGS, INC; CONECTIV, and  
PEPCO HOLDINGS RETIREMENT PLAN,

Defendants.

CIV. A. NO. 05-702 (SLR)  
(Lead Case)

**REDACTED**

## DECLARATION OF JAMES R. KREMMEL

STATE OF DELAWARE

:

SS.

COUNTY OF NEW CASTLE

:

I, James R. Kremmel, being over 18 years of age, being of sound mind and capable of making this affidavit, and being personally acquainted with the facts described herein, which are true and correct to the best of my knowledge and belief, state the following:

1. I am a Principal Consultant in the Department of Human Resources at Pepco Holdings, Inc. From January 1, 1999 until August 24, 2001, I was Manager of Benefits for Conectiv. Previously, I held a comparable position in the Human Resources Department of the Delmarva Power and Light Company.

## The ACE and Delmarva Final Average Pay Plans

2. Before their merger to form Conectiv on March 1, 1998, the Atlantic City Electric Company (“ACE”) and the Delmarva Power and Light Company (“Delmarva”) both sponsored “final average” pension pay plans, under which a participant’s benefit, measured as an

annuity, was the product of average salary, years of service, and a multiplication factor (the "ACE Final Average Pay Plan" and the "Delmarva Final Average Pay Plan").

3. The ACE Plan did not allow participants to withdraw benefits, either as a lump sum payment or an annuity, until at least age 55. The ACE Final Average Pay Plan did, though, provide that participants who terminated employment before accruing benefits with a present value of more than \$5,000 could be subject to automatic cash out.

4. Similarly, the Delmarva Plan only permitted participants to withdraw benefits before retirement under limited circumstances.

5. Thus, if an employee chose to leave ACE at age 35 after 10 years' service, he or she could not access their benefits for at least twenty years.

#### **The Cash Balance Plan**

6. On April 23, 1998, Conectiv's Board of Directors amended the ACE and Delmarva Final Average Pay Plans to establish the Conectiv Cash Balance Sub Plan (the "Cash Balance Plan") effective January 1, 1999. The Cash Balance Plan covered all employees not represented by a union.

7. The Cash Balance Plan calculates benefits through the use of a hypothetical "account." Each year, Conectiv credits a certain percentage of each employee's pay to this account, with the percentages increasing with age.

8. The Cash Balance Plan also provides an "interest credit," whereby it increases the amount of each account by an interest percentage based on long-term Treasury bond rates.

9. For example, if a participant were 40 years old, earned \$50,000 per year, had an opening account for the year of \$100,000, and the interest credit rate were 5%, then Conectiv would credit each employee's account with \$4,000 in pay credits (the applicable 8% pay credit rate times \$50,000) plus \$5,200 in interest credits (5% interest rate times (\$100,000 plus \$4,000)). This employee's account balance would accordingly increase from \$100,000 to \$109,200.

10. Conectiv structured the Cash Balance Plan so that in most cases the account balance would be identical to the immediate lump sum payment value of the participant's benefits. The Cash Balance Plan provides an immediate lump sum payment option when an employee leaves the company, as opposed to being forced to wait until retirement to collect any benefits, as under the former ACE and Delmarva Final Average Pay Plans, *i.e.*, the Cash Balance Plan provides enhanced portability.

11. Based upon my knowledge, belief, and information provided to me, of the 520 participants who have elected a form of benefit under the Cash Balance Plan, 500 – that is, approximately 96% – have requested to receive a lump sum.

12. Conectiv also increased survivor benefits under the Cash Balance Plan. Under the former ACE and Delmarva Final Average Pay Plans, a surviving spouse could only receive half of the value of a deceased participant's accrued benefit. The Cash Balance Plan provides that surviving spouses receive the full amount of the participant's accrued benefit – an important benefit for an employee with a serious health condition who is concerned about providing for his or her family in the wake of premature death.

13. Furthermore, the Cash Balance Plan, unlike its predecessors, permits participants to provide survivor benefits to individuals other than a spouse, such as a child or a domestic partner. This change was an important benefit enhancement for unmarried employees.

14. The Cash Balance Plan amendment also coincided with two other enhancements to the Conectiv benefits package. First, Conectiv increased the employer matching contributions in its 401(k) plan, which covered the same employees. Second, Conectiv expanded access to retiree medical coverage.

15. Conectiv also took steps to protect the expectations of long-term employees close to retirement. Thus, employees who either attained the age of 50 or completed more than twenty years of service on or before December 31, 1998, the effective date of the Plan conversion, were "grandfathered," i.e., so long as they retired within the next ten years, these long term employees received the larger of the benefits accrued under either the formula contained in their former Final Average Pay Plans or their new Cash Balance Plan formula. Moreover, even if they should retire after January 1, 2009, grandfathered employees will still be entitled to receive the greater of their benefits under the previous plan formula as of December 31, 2008 or the Cash Balance Plan formula as of the date of retirement.

16. Conectiv took additional steps to protect other long term employees who were not as close to retirement age. The Cash Balance Plan provides for "transition credits," which are enhanced levels of pay credits for employees who had devoted many years of service to the company. Specifically, the Cash Balance Plans adds an additional 1% pay credit for employees with 10 to 11 years of service; 2% for employees with 12-15 years of service; 3% for employees with 16-19 years of service; and 4% for employees with 20 or more years of service.

**Notice Provided to Employees of the Cash Balance Conversion**

17. Realizing that the conversion to the Cash Balance Plan represented a change in benefits philosophy, Conectiv provided a series of notices to its employees before the January 1, 1999 effective date, including:

a. In October 13, 1997, Conectiv distributed a newsletter to all employees titled "EMerging Times" that noted that "A new pension plan will replace the old 'final pay' plans with individual, portable accounts." A copy of this newsletter is attached as Exhibit A.

b. One week later, on October 20, 1997, Conectiv distributed the next issue of "EMerging Times," which provided even more detail. A copy of this newsletter is attached as Exhibit B.

c. In May 1998, after the Board adopted the Cash Balance Plan amendment, Conectiv distributed to all employees a "Facts" newsletter. Under the heading "New Cash Balance Pension Plan," this newsletter contains just over three single spaced pages explaining in detail how the Cash Balance Plan operates. The newsletter further informed employees that the Cash Balance Plan would be effective January 1, 1999. A copy of this newsletter is attached as Exhibit C.

d. On December 21, 1998, Conectiv sent to all employees who would be enrolled in the Cash Balance Plan a five page, single-spaced letter outlining in detail how the Cash Balance Plan computes benefits. A copy of this letter is attached as Exhibit D.



e. After the Cash Balance Plan went into effect, Conectiv conducted a series of meetings with employees in July 1999 regarding the new pension benefit structure. In advance of these meetings, Conectiv distributed a newsletter titled "Mid Week Extra: Cash balance update June 23, 1999" to Cash Balance Plan participants. This newsletter expressly stated the company's intention to discuss criticism that had been leveled against cash balance pension plans, noting that "recent stories in the national media have raised concerns about some cash balance plans . . ." A copy of this newsletter is attached as Exhibit E. Conectiv used a standardized Power Point slide presentation in these meetings. A copy of that slide presentation is attached as Exhibit F. At each meeting, Conectiv discussed the then-brewing controversy over IBM's decision to convert to a cash balance plan.

#### Execution of Releases

18. There are at least 90 members of the putative class who have executed releases with Defendants of any ERISA claims (except for claims for accrued and vested benefits as set forth in the plan documents) in exchange for severance payments. Plaintiffs, however, have signed no such releases.

19.

REDACTED

REDACTED

I hereby declare under penalty of perjury of the laws of the United States that the foregoing is true and correct.

By:



James R. Kremmel  
Pepco Holdings, Inc.  
Human Resources  
401 Eagle Run Road  
Newark, DE 19702

Dated: 2-16-2007

# **KREMMEL EXHIBIT A**

We are becoming



# EMerging Times

your connection to the latest merger news • Oct. 13, 1997

## Total Rewards Communicate Conectiv

EMerging Times talked to Ben Wilkinson, chair of the total rewards transition team, about compensation and benefit programs as we will know them in Conectiv.

ET: It would be an understatement to say employees are curious about the pay and benefits programs being developed for Conectiv. Since we can't wave a magic wand and instantly know it all, let's start with the name. Why "total rewards" instead of the standard "compensation and benefits" or the more '90s "total compensation?"

BW: For one thing, we want to make a clear distinction between Conectiv and the past. This is a new program for a new company in a changing business environment. It is designed to be viewed as competitive by employees and flexible to accommodate changing business conditions. We want to emphasize the notion of rewards—payment in return for effort and results—as opposed to traditional entitlement programs with their guarantees and their payouts not generally linked to individual or corporate performance. "Rewards" refer to all the elements of remuneration—direct pay and all benefit plans—that are available to employees.

ET: What are the major changes that signal the need for this new "total rewards" approach?

BW: There are the changes in our industry—deregulation with resulting greater competition and movement into non-regulated businesses. And, there are societal changes as well—the demand for benefits flexible enough to meet the work and family needs of a diverse workforce and for more "portable" benefits that reflect the fact that fewer people are staying in one place for their entire careers. And, there's the immediate need to support our rapid transition to Conectiv.

ET: What is the connection between how Conectiv employees are "rewarded" and this changing environment?

BW: Companies reward systems aren't an accident. They're a way of communicating and supporting the

organization's values and strategies. They help to attract, retain and motivate employees with the behaviors and competencies necessary for the company to succeed. In the new, highly competitive environment in which Conectiv will be operating, we need a new employee mindset—one that embraces risk-taking and decision-making, that aligns employees' interests closely with those of the company, and that "vests" the employee in the performance of the company. Our program has to be designed to link corporate and individual performance to a much greater extent than in the past.

ET: How does the program do that?

BW: In a number of ways. On the direct pay side, we will place a greater emphasis on variable pay—that is, incentive arrangements that link employees' pay more directly to individual and business performance. We will find new, innovative ways to introduce company stock as a vehicle for performance rewards and for focusing people on what is happening in the business. We will reward not only individual effort, but collective contributions to the company's success through a new profit-sharing plan. A new pension plan will replace the old "final pay" plans with individual, portable accounts. And, there will be an opportunity for employees to tailor their benefits—like medical, dental, life, disability, etc.—to their own and their families' needs through the new flexible benefits program. Not a totally new concept to AE employees, "flex" moves us away from the "one-size-fits-all" benefits offerings of the past. It provides each employee with credits, which can be used to purchase levels of benefits appropriate to his or her needs or which can be taken as additional cash compensation.

Continued on page 2

## Total Rewards

*ET: When will we know the details of the new total rewards program?*

BW: The total rewards transition team is continuing to work out the details of the program throughout the fall—including plans for an extensive communication and educational effort to support employees in making informed decisions about their benefits in a “choice” environment.

*ET: When is the new total rewards program scheduled to become effective?*

BW: Direct pay aspects of the program will become effective as soon as possible

following the merger closing date. The benefits portion of the program is intended to become effective July 1, 1998, in order to allow time to complete selection for Conectiv and for effectively communicating the new benefits program and enrollment process. Employees will make their flexible benefit choices in late spring. Of course, for employees working under labor agreements, all pay and benefits must be negotiated.

*See the next issue of EMerging Times for more information about Conectiv total rewards.*

## Preparing for the Interview

As employees and hiring teams prepare for Conectiv's next round of job selection, they will notice something new in the position selection process: the use of “competencies” and the use of behavioral interviewing. The following information on these parts of the interview should prove helpful.

Competencies are defined as knowledge, skills and behaviors. “Job Competency Models” are lists of critical knowledge, skills and behaviors for success in a particular job. By mid-October, hiring managers will complete job competency models for positions in this round of selection.

To create the Job Competency Models, hiring managers are reviewing strategies, business goals and job expectations. They are then considering what it will take to meet those expectations. This information is compared with one of three “working competency models” that have been created to cover the positions generically (and which will be distributed on October 15 by the electronic means used to distribute the position summaries). After finalizing the list to the 12-15 most important criteria, they are prioritizing the critical few to use in interviewing. The hiring manager should then share the competency model for the specific job or pool of jobs with the candidates for that job.

When selecting people for positions, it is important to know what competencies are crucial to the success of the business group and the employee in a specific job, and to hire according to those competencies. Behavioral Interviewing is founded on the premise that past performance is the best indicator of future performance.

As an interviewee, you are likely to notice some key differences:

- You will be asked to share past experiences in detail
- You will be asked to speak in terms of “I” and not “we”
- You may not be asked more traditional questions (e.g., “What are your greatest strengths?”)
- You will be asked to describe what you actually did or thought or felt in a real situation rather than what you might do in a hypothetical situation.

For example the interviewer may ask something like (if “problem-solving” were a key competency), “Tell me about a time when you had a customer request that you could not satisfy?” You would answer the question, and the interviewer would likely respond by digging deeper into the story that you tell.

To prepare, a candidate should anticipate some of the key competencies for the job and think through a couple of performance-based anecdotes or stories which demonstrate performance of the competency.

Your answers will improve the hiring team's assessment your skills. Employees who have been interviewed in this way say that they felt the interviewer had a much better sense of their capabilities than most interviewers had in the past, which made the experience feel fairer. More and more companies have adopted this approach to interviewing. Interviewers report higher confidence in their selections and greater success for the employee selected.

## More Information About Relocation Benefits

Merger-related relocation benefits are available to Atlantic Energy non-union and Delmarva Power management employees:

- for whom relocation is a condition of their accepting a Conectiv job;
- whose commute increases by at least 70 miles round trip; or,
- whose new commute is 100 miles or more round trip.

The merger-related relocation benefits (see chart below) provide allowances to eligible homeowners for moving expenses, transfer taxes, points on a new mortgage, temporary living expenses, realtor sales commissions, settlement costs, and miscellaneous expenses. A homeowner is someone who owns his/her primary residence.

There are also allowances, shown below, for eligible renters for moving expenses, lease buyout, temporary living expenses, and miscellaneous expenses.

### Conectiv Transition Employee Relocation Assistance Policy Summary of Plan Design

#### Eligibility: Conectiv management/non-union employees

#### *Allowance for a management/non-union employee who currently owns their primary residence*

Feature	Typical Coverage
Movement of household goods	Paid through an approved mover \$3,000 for self-move
Property transfer tax	Paid
Points on new mortgage	Lesser of 3 pts. or \$6,000
Temporary living	60 days at a maximum of \$3,000
Realtor sales commission at prevailing rates	Maximum of \$10,500
Miscellaneous expense	1 month salary
Settlement cost	Actual expense up to \$2,000
Home purchase option	Equity advance with agreement of sale
Tax gross-up	Yes - for some cost

#### *Allowance for a management/non-union employee who currently rents*

Feature	Coverage
Movement of household goods	Paid through an approved mover \$3000 for self move
Lease Buyout	2 months
Temporary living	60 days to a maximum of \$3,000
Miscellaneous Expense	1 months salary

If you have any questions on relocation benefits, call the Employee Merger Hotline at 1-800-201-4718.



## **Additional Support Offerings Scheduled To Meet Huge Demand**

The response to the initial offering of Employee Support workshops has been gratifying—in fact, it's been overwhelming. As a result, the Employee Support Transition Team is making every effort to schedule additional workshops as quickly as possible.

To meet an immediate need for additional support for those who are candidates in the current round of selection for Conectiv (see the October 8 *EMerging Times*), the Employee Support Transition Team arranged for internal consulting sources and scheduled additional workshops that began Saturday, October 11, and held open houses October 13 and 15. The open houses are an innovative approach to giving employees immediate access to a variety of employee support offerings, which are focused and condensed into short periods of time to accommodate busy schedules.

To get the message out as quickly as possible to those needing to prepare themselves for the current round of selection, an e-mail and FLASH bulletin describing the additional offerings went out to all employees last Thursday. Additional workshops are currently being scheduled for employees who will be participating in selection at a later time. Information about those workshops will be communicated in the very near future.

For more information about future workshops continue to check your e-mail, bulletin boards, and *Emerging Times*.

## **Important Numbers To Remember**

The Employee Merger Hotline — Record your question; we'll get back to you within two business days: 1-800-201-4718.

The Employee Assistance Program (EAP) — Available 24 hours/7 days per week for you and your family members:

AE — 1-800-608-0098  
DPL — 1-800-843-9775

If you have questions pertaining specifically to the ERO, call the ERO Hotline:  
AE — 1-800-608-0098  
DPL — 1-888-376-8997

# **KREMMEL EXHIBIT B**



We are becoming



# EMerging Times

your connection to the latest merger news • Oct. 20, 1997

## **Sharpening The Focus: Total Rewards**

*Editor's Note: In the last issue, EMerging Times talked to Ben Wilkinson, chair of the total rewards transition team, about the philosophy underlying the new Conectiv compensation and benefits arrangements. In this issue, we've focused on some currently available details about the program.*

*ET: You said that "flexible benefits" give employees the opportunity to tailor their needs as well as their family's. What benefits will be offered under the flexible benefits portion of the total rewards program?*

*BW: There will be medical—including prescription and vision; dental; disability; and life insurance options—including dependent life coverages; health care and dependent care reimbursement accounts; and time off—including vacation, holidays, and sick leave. Plus, we're looking into offering a number of other*

options that will give employees even more choice and flexibility. And, of course, there are benefits outside the flexible benefits program—pension and 401(k), for instance.

*ET: How will the flexible benefits program work?*

*BW: Basically, it works like this: Conectiv will give you an amount of benefit credits—like benefit dollars—to allocate among your benefit choices. You will use your credits to purchase the types and levels of benefits that you decide fit your needs. You may be able to waive coverage under certain plans, which would free a number of credits that you could use to buy other benefits you need. If you have credits remaining after designing your benefits package, you will receive the balance in cash as taxable income added to your pay. If, on the other hand, your benefit choices cost more than your*

*Continued on page 2*

## **"Comparable" Job Defined**

The issue of what is a "comparable" job is of significance to employees as they consider job offers with Conectiv. That is because, if an employee turns down a comparable job, he or she would not be eligible for any involuntary separation benefit. However, if an employee turns down a job that is not comparable, he or she would be eligible for 50 percent of the involuntary separation benefit.

A job will be considered "comparable" if the new pay target for the job is 85 percent or greater than what the employee's present job is currently paid. A job is "less than comparable" if the pay target is less than 85 percent of what the employee's present job is currently paid. Pay target is defined as the competitive rate for the job as set by line management.

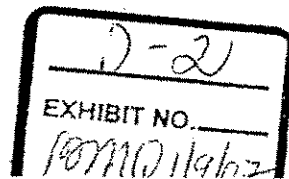
What the employee's present job is currently paid will be determined as follows:

Employees in non-union jobs—top of core band (AE) or the midpoint (DPL) for the job when the offer is made.

Employees in union jobs—current final pay rate (AE and DPL) when the offer is made.

It's important to note that the determination is based on what the job is paid, not what the employee in the job is paid.

If you have questions about how your job is currently paid please talk to your supervisor.



## Total Rewards

*Continued from page 1*

benefit credits, you pay the difference through payroll deductions. In most cases, your contributions are deducted from your pay on a before-tax basis. Being able to use before-tax dollars to buy benefits is a benefit in itself, since it helps you get more for your money.

*ET: Can you tell us more about the new pension arrangement?*

BW: The design of the plan is not yet finalized, but we know it will be what's called a "cash balance" plan. Unlike the companies' current final pay plans that pay a benefit based on a formula applied at the end of your career, the cash balance plan provides each employee with a record keeping account into which the company credits a percentage of pay each year. The account balance will grow based on a set interest rate. At least annually, employees will receive a statement telling them their account balance. The account balance is portable, which means it can be rolled into another employer's plan or an IRA if you leave Conectiv.

*ET: What happens to the benefit an employee has already earned under a current AE or DPL pension plan?*

BW: Employees have a nonforfeitable right to—that is, they can't lose—the value of the benefits they have accrued in their current pension plans.

*ET: If the merger closes January 1, 1998, and the new benefits program isn't effective until mid 1998, what benefits will employees have during that time?*

BW: Employees will remain covered

under their current benefit plans between the merger closing date and mid 1998.

*ET: When will any changes in how employees are paid begin to affect individual employees?*

BW: Changes in the direct pay aspects of the total rewards program will begin to affect individual employees at the time each employee actually begins his or her "new" job with Conectiv—that is, following the selection process that will take place after the merger closing date. In other words, the "effective date" for changes in direct pay will vary based on the situation of the individual employee.

*ET: How will employees find out more about the Conectiv total rewards program?*

BW: The plan is to issue a series of newsletters over the next seven months leading up to benefits enrollment in May. Each newsletter will deal with some aspect of the total rewards program. Then, in the spring, each employee will receive a "decision kit" that provides the detailed information needed to make choices under the flexible benefits program. We will hold meetings for employees so they can hear about the program and get answers to any questions they may have. Our goal is to provide the resources employees need to make well-informed decisions about their benefits.

*Note: For employees working under labor agreements, all pay and benefits must be negotiated.*

**Conectiv  
Human Resources  
Implementation  
Team now located  
at Deepwater, N.J.  
8th Floor**

FAX (609)299-7492

Debby Turner-Fox  
Sue Waddington  
Arden Jones  
Darren Dorrell

(609)299-8003  
(609)299-8005  
(609)299-8004  
(609)299-7491

## **Selection Process Continues**

*For employees who have self nominated for a position in the current Connectiv selection process ...*

The hiring manager will call during the next two weeks to let you know if you will have an interview and, if so, to make interview arrangements.

Should you not hear from the hiring manager in that time period, contact Bob Pavlovski, AE human resources, (609) 645-4708 or Peg Symes, DPL human resources, (302) 429-3426.

## **Time Is Running Out On ERO Windows**

The election windows for the Enhanced Retirement Offer (ERO) will soon close for all eligible Atlantic Energy and Delmarva Power employees. Eligible for the ERO are:

### **At Atlantic Energy**

- non-union and union employees who, by December 31, 1998, will be age 55 or older, and have at least five years of continuous service

### **At Delmarva Power**

- non-union and union employees who, by December 31, 1998, will be age 55 or older, and who have at least 12 years of continuous service

Closing dates for eligible employees vary. If you are eligible for this option, please make sure you make your decision and return your election forms to your supervisor by the date listed below.

**Non-Union Atlantic Energy & Delmarva Power Employees**  
October 31, 1997

**Atlantic Energy Local 210 Members**  
November 30, 1997

**Delmarva Power Local 1238 and Local 1307 Members**  
December 18, 1997

The ERO is the first of the voluntary staff reduction offerings in connection with the merger. The intent is to rely as much as possible on voluntary approaches, which the senior leadership team believes to be the more compassionate way to meet the unavoidable business need to reduce the number of employees in the merged company.

If you have questions about the ERO option, please contact the ERO hotline 1-888-376-8997, at Delmarva Power, or 1-800-608-0098, at Atlantic Energy.

## **Important Numbers To Remember**

The Employee Merger Hotline—Record your question, we'll get back to you within two business days: **1-800-201-4718**.

The Employee Assistance Program (EAP)—Available 24 hours/7 days per week for you and your family members:

**AE-1-800-608-0098**

**DPL-1-800-843-9775**

If you have questions pertaining specifically to the ERO, call the ERO Hotline:

**AE-1-800-608-0098**

**DPL-1-888-376-8997**

# **KREMMEL EXHIBIT C**



# facts conectiv

Over the next  
few weeks,  
you'll learn  
details of the  
Total Rewards  
Program

## CONECTIV TOTAL REWARDS PROGRAM FINALIZED

During the last several weeks, details of Conectiv's Total Rewards Program for management have been finalized. The new program will cover all Conectiv management employees. Coverage for union employees is subject to collective bargaining.

Over the next few weeks, you'll learn the details of the program and the benefit options available to you. You've already received two newsletters giving some background information about the new pension and flexible benefits plans. With this issue of *facts* and the next one, we'll explain more about the program and the decisions you'll be making soon.

In May, you will each receive a personalized "decision kit" that will help you make your flexible benefit elections. We'll also hold group meetings and provide a hotline to answer your questions. (For more on the communications schedule, see the back cover.) Your *Conectiv Flex* benefits will start July 1.

## YOUR PAY

Pay is, of course, an important element in the Total Rewards Program. Conectiv has made sure that our *base pay levels are competitive* with what is being paid for similar jobs in general industry in the areas in which we operate. Each employee will be informed about his or her "competitive base opportunity"—that is, the potential base salary for the job over time, given sustained solid individual performance.

In addition, all employees not participating in management or business unit variable pay plans will participate in Conectiv's *Variable Pay Opportunity*—our new plan that replaces the former DPL (CPIP) and AE (Corporate Bonus) profit sharing plans. Annual payouts will be based on how well Conectiv as a whole and individual business units achieve pre-established financial goals.

## NEW CASH BALANCE PENSION PLAN

Until now, employees of both DPL and AE have been covered by what are known as "final pay" pension plans. The "cash balance" pension plan is a new concept that has two important advantages: it's *easier to understand* than the former plans, and it's totally "*portable*." Both these features support our goal of designing a benefits package that meets the needs of today's more independent, more mobile workforce.

The new cash balance pension plan will take effect January 1, 1999.

*The new  
cash balance  
pension plan  
is easier to  
understand, and  
goes with you if  
you leave  
Conectiv after  
you're vested.*

## Benefit Easier to Understand

The way the new pension plan works is simple. Each year the company makes a cash contribution equal to a percentage of your total pay, including overtime and bonus, to your individual pension account. Throughout your Conectiv career, your account grows through additional yearly company contributions, plus interest. When you retire, the current cash value of your account is yours.

Over the years, as you watch your pension account grow, you'll have a clearer idea of your own financial position. And you'll be better able to plan for your future.

## Portability a Plus

Today, people who work for a single company throughout their careers are in the minority. So being able to transfer accumulated pension credit from one employer to the next is an important plus.

With the new cash balance plan, if you leave Conectiv after you have completed five years of service and are vested, you can transfer your pension account either to your new employer's plan or to your own IRA. Taxes are deferred on the transfer, so your full account can continue growing for the rest of your working years.

## Company Contributions and Interest

Conectiv makes all the contributions to your cash balance pension account. These contributions are based on a percentage of your *total pay, including overtime and bonuses*. Contributions increase with age, as shown below. You are not required to contribute to the pension plan.

Annual Company Pension Contribution			
Age*	Pension Credit (% of Pay)	Age*	Pension Credit (% of Pay)
Under 30	5%	40 to 44	8%
30 to 34	6%	45 to 49	9%
35 to 39	7%	50 and over	10%

The company also credits your account with *interest* each year based on the current 30-year U.S. Treasury bond rate. This rate changes based on economic conditions. Currently, it is 6%. Historically, it has averaged about 8%.

\* Based on your age as of January 1st; contributions are prorated if you move to a higher age bracket in mid-year.



## Conversion to the New Pension Plan

The new cash balance pension plan will cover all Conectiv employees\* as of January 1, 1999. Benefits already earned under the former DPL and AE pension plans are *fully protected*, and will be converted to an equivalent cash amount. This will form your "starting balance" under the new plan.

Your starting balance will, in essence, provide you with the lump sum amount you would need today to purchase a lifetime annuity equal to the benefit you've earned to date under your DPL or AE pension plan. The conversion formula will take into account any early retirement and survivor benefits which are part of the current plans.

Later this year, you'll receive a personalized pension statement showing your lump sum "starting balance" under the new plan.

## Transition Credits with Ten or More Years' Service

If you have completed between ten and 35 years of service with DPL or AE as of January 1, 1999, you will also be eligible for annual *transition credits*. This means the company will contribute an *additional* amount to your pension account *each year*. Your transition credit percentage depends on your completed service as of January 1, 1999, and remains constant until you have completed 35 years of service. At that point, transition credits stop.

Annual Transition Credits			
Service as of 1/1/99	Transition Credit (% of Pay)	Service as of 1/1/99	Transition Credit (% of Pay)
10 to 11 years	1%	16 to 19	3%
12 to 15 years	2%	20 years or more	4%

For example, if you have completed 13 years of service as of January 1, 1999, the company will make an additional contribution of 2% of your total pay to your account every year until you complete 35 years of service.

## Annual Statements

Each year, you'll receive a personal statement of your pension account which will show the company's contributions (basic amount plus any transition credits), interest credit and total balance, so you'll be able to watch the progress of your account over the years.

\* Subject to collective bargaining agreements.

*Benefits  
already earned  
under DPL and  
AE plans are  
fully protected.*



### A Quick Look at the New "Cash Balance" Pension Plan

Company Contributions	<ul style="list-style-type: none"> <li>Made annually to your account based on a percentage of pay</li> <li>Age-related percentage ranges from 5% to 10%</li> </ul>
Interest	Credited each year based on the 30-year U.S. Treasury bond rate at the time
Conversion to New Plan	<ul style="list-style-type: none"> <li>Benefits accrued under DPL and AE pension plans to be converted to a cash equivalent starting balance under new plan</li> <li>Starting balance also credited with interest annually (see above)</li> </ul>
Transition Credits	With 10 years of service as of 1/1/99, you receive an additional annual company contribution of 1% to 4% of pay
Vesting	Upon completion of five years of service (including service with DPL and AE)
Portability	Totally portable; current value of your account is yours if you leave Conectiv after you are vested
Survivor's Benefit	Full current value of your account is paid to your spouse or beneficiary if you die while actively employed
Payment options at retirement	Lump sum cash option or several lifetime monthly payment options (annuities); cash option can be rolled over to an IRA to continue tax deferral

### "Grandfather" Protection for Older and Long Service Employees

Of course, many employees have already worked for most of their careers under the former "final pay" pension plans. For this reason, two groups of people will also continue to be covered by their former plans for the next ten years. They are employees who, as of January 1, 1999:

- have completed 20 years of service, or
- are age 50 or older.

These "grandfathered" employees will have their pensions calculated under both the former and new plans, and will receive whichever value is greater.

### Payment Options at Retirement

The new pension plan also gives you a great deal of flexibility when you retire. You may take the full value of your pension in a single lump sum, which you may then roll over, tax deferred, into the investment vehicle you select. Or you may elect guaranteed lifetime monthly payments for yourself or you and your spouse (an "annuity").

### Survivor Benefits

The new pension plan provides another advantage in case of your death after you are vested but before retirement. Under the former plans, survivor benefits were payable only to a spouse, and then in an amount equal to about *half* of your accrued benefit. With the new plan, the *entire cash value* of your pension account would be paid to your beneficiary who, with your spouse's consent, can be anyone you name.

## 401(K) SAVINGS PLAN

The 401(k) plan, with its automatic, tax-deferred saving feature, company match and investment options, has become an important part of the retirement benefits package at both DPL and AE. Today, many employees are building a strong financial future for themselves by participating actively in these plans.

Conectiv will also sponsor a 401(k) plan that blends features from both prior plans.

### Company Match and Savings Options

Beginning July 1, the Company will match 50% of the first 6% of pay that you save, in the form of Conectiv stock. Making the match in stock helps reinforce one of Conectiv's key goals for our Total Rewards Program—linking employees' interests with the Company's business success. In other words, the better we do financially, as reflected in Conectiv's stock price, the better you will do, too.

You may contribute a total of up to 20% of pay to the plan—up to 15% on a before-tax basis and up to 5% on an after-tax basis.

### New Investment Choices

The new 401(k) plan will offer a broader range of investment choices than either the DPL or AE plans. The Vanguard Group, one of the country's largest and most respected mutual fund companies, will be responsible for maintaining account records as well as managing most of the investment funds.

Investment options will include both fixed income and diversified stock funds. In addition, you will have the choice of investing your account in one of two "LifeStrategy" funds that automatically apportion your account among several different funds according to your investment goals.

#### New 401(k) Investment Options

##### Stock Funds

- Vanguard Index Trust – 500 Portfolio\*
- T. Rowe Price International Stock
- Baron Asset Fund
- Vanguard/PRIMECAP
- Vanguard/Windsor II
- Vanguard Growth & Income Portfolio

##### LifeStrategy Funds

- Vanguard LifeStrategy Portfolio – Growth Portfolio
- Vanguard LifeStrategy Portfolios – Moderate Growth Portfolio

##### Fixed Income Funds

- Vanguard Bond Index Fund – Total Bond Market Portfolio
- Vanguard Retirement Savings Trust

Later this spring you'll have the opportunity to learn more about the new investment funds. In August, Vanguard will automatically transfer your investment in current plan funds to comparable new funds, with no tax liability at transfer. You will then be free to make any investment changes you want.

\*Standard & Poor's 500, "S&P 500®", "Standard & Poor's®", "S&P®", and "500" are trademarks of the McGraw-Hill Companies, Inc.

*Under the new  
401k plan,  
Conectiv will  
match 50% of  
the first 6% of  
pay you save.*



*Conectiv Flex  
lets YOU choose  
the benefits  
that are right  
for you . . .*

## CONNECTIV FLEX

*Conectiv Flex*, our new flexible benefits program, goes into effect July 1, 1998. *Conectiv Flex* lets you choose the benefits that are right for you from among a broad variety of options. Highlights of your *Conectiv Flex* program follow. You'll receive more details about the program in the next few weeks.

### Conectiv Flex Means Advantages for You

With *Conectiv Flex*, you choose the benefits you want each year, and you can change your benefits annually, as your needs change. In this way, *Conectiv* can be sure it is making the wisest use of the dollars it sets aside each year to pay for benefits. *Conectiv Flex* offers:

- *A range of benefits* from which to choose (see *Highlights...*, right)
- *Cash back*—*Conectiv* pays the major portion of the cost of coverage under *Conectiv Flex*. Each benefit option has a price tag, depending on the type and level of benefit you choose. If the benefits you choose cost *more* than the amount *Conectiv* pays, you pay the difference through payroll deduction—usually on a *before-tax* basis. If the benefits you choose cost *less* than the amount *Conectiv* pays, you will receive extra dollars in your paycheck as taxable cash.
- *Tax advantages*—With *Conectiv Flex*, you get the advantage of tax breaks permitted by law. For example, amounts you pay toward health care coverage are deducted from your pay on a *before-tax* basis. And, when you participate in a Health Care or a Dependent Care Reimbursement Account, you pay no federal or Social Security taxes on the dollars that go into your account(s) or on the dollars that are reimbursed to you.

### FlexPhone Telephone Enrollment

In May, you'll be able to enroll for your *Conectiv Flex* benefits for July 1998-July 1999 using any touch tone phone and the personalized enrollment fact sheet that you will receive.

The FlexPhone system is quick and easy. It ensures privacy and confidentiality using your own Personal Identification Number (PIN). Complete instructions for enrolling by phone will be included with the *Conectiv Flex* decision kit that you'll receive in May.

Watch for the next issue of  
*facts* to learn more  
about your *Conectiv Flex*  
benefit options.



## Highlights of Your Conectiv Flex Benefits

This spring, you'll be able to choose from:

- up to four medical plan options, each of which includes prescription coverage
- a point-of-service plan
- an indemnity plan
- an indemnity and demand plan
- HMO
- three dental plan options—medium and high options
- three vision options—basic, standard and high options
- nine levels of life insurance coverage
- seven levels of accidental death and dismemberment (AD&D) coverage
- dependent life insurance options for your spouse and children
- dependent AD&D insurance options for your spouse and children
- two Reimbursement Accounts:
  - Health Care Reimbursement Account, and
  - Dependent Care Reimbursement Account

### PLUS:

Choice Rewards. Conectiv's plan automatically awards benefits made available through the Conectiv Flex plan. These benefits—to include term life insurance and group-term coverage—provide a convenient way to purchase coverage which could be difficult to obtain on your own.

*You'll be able  
to enroll for  
Flex using the  
FlexPhone  
system.*

This newsletter covers only the highlights of your Conectiv Total Rewards Program. Details of the plans are contained in the official plan documents. In the case of questions, the documents always govern.

*FlexPhone . . .  
a quick and  
easy way to  
enroll.*

## TOTAL REWARDS COMMUNICATION PLAN

This schedule will give you an idea of what you can expect to hear about the new Total Rewards Program between now and the July 1 effective date.

- 3rd *facts* newsletter (this one) .....April-May
- 4th *facts* newsletter (more details on flexible benefits—medical, dental, life insurance and reimbursement accounts) .....April-May
- 5th *facts* newsletter (more information on the new 401(k) plan) .....May-June
- “Decision Kits” mailed to you .....Mid-May
- Employee meetings and benefits hotline .....April-May
- Enrollment period for flexible benefits .....Mid-May to June 1
- Flex benefits effective date .....July 1

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# **KREMMEL EXHIBIT D**



December 21, 1998

Dear Conectiv Management Employee,

Beginning January 1, Conectiv will switch to a "cash balance" pension plan as announced earlier this year. In order to provide you with your opening balance, the Company will use your 1998 earnings, which will not be finalized until late January, 1999. At the same time as we are moving to the cash balance pension plan, the Company is outsourcing pension administration to the Vanguard Group, which is also the administrator of Conectiv's 401K plans and PAYSOP plans. Vanguard will verify the conversion calculations, and will then distribute your individual account balances by the end of the second quarter of 1999.

Until individual statements can be prepared, we have created two tables of example calculations so employees can estimate their opening balances. Remember that these tables are examples only, and that your actual cash balances will reflect your particular circumstances. There will be more detailed communications in the Spring. If you have general questions, please hold them until these communications are available. We have included in this letter answers to some general questions about the new program.

If you are at retirement age and are planning to retire in the first quarter of 1999, please call the Human Resources Strategic Business Partner for your area: Pat Duffy, Energy Delivery & Services, at 220-3155; Harold DeJarnette, Supply, at 220-3252; Ben Wilkinson, Shared Services, at 220-3047; and Dave Motil at 250-6020.

We hope this preliminary information is helpful to you.

Q. What is a "cash balance" pension plan?

A. Each year the company credits your individual pension account with a cash contribution equal to a percentage of your total pay, including overtime and bonus. Throughout your Conectiv career, your account grows through additional yearly company contributions, plus interest. When you retire, the current cash value of your account is yours. If you leave Conectiv after you have completed five years of service and are vested, you can transfer your pension account either to your new employer's plan or to your own IRA. Taxes are deferred on the transfer, so your full account can continue growing for the rest of your working years. At retirement, you can take the money in a lump sum and roll it over, tax deferred, into the investment vehicle you select. Or you can elect to receive lifetime monthly payments, either for yourself, or for you and your spouse. Each year, you'll receive a statement of your pension account showing all transactions and its total balance.

Q. What are the key components of Conectiv's new cash balance pension plan?

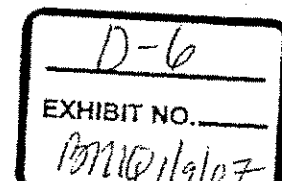
A. Please see the accompanying "Update of Conectiv Facts," below.

Q. What are the advantages of cash balance?

A. Your cash balance pension account is completely portable. In addition, the plan contains increased "beneficiary" benefit: the full value of the account transfers to your spouse, family, or estate in the event of your death. Employees will receive annual statements showing the actual current value of their pension account. These features mean that the cash balance pension plan helps to meet more diverse needs of today's and tomorrow's employees.

Q. Are there some grandfathering provisions and other transition rules?

A. You may recall that, as part of the approach taken by management to provide minimal impact on the existing workforce, extensive protections were woven into the new plan for employees approaching the retirement age. Any employee aged 50 or with 20 years of service as of December 31, 1998 is "grandfathered" for ten years after January 1, 1999. This means that when a grandfathered participant retires, the pension is computed both under the old formula and the new one, and the participant receives the greater amount. In addition, retirees choosing the old formula will be able to take a lump-sum distribution of their pension during the 10 year period. These provisions are for the next ten years when the benefits under the old plan are calculated, frozen, and compared at retirement to the cash balance amounts to determine the best benefit for the employee. In addition to the grandfather provision, favorable transition rules apply for longer service employees. This means those employees will get extra annual credits to their accounts during the ten year period.



Connectiv Cash Balance Retirement Plan  
January 1, 1999 Account Balance Estimate  
(For employees formerly covered by the ACE Plan)

Average Five Year Earnings	Age/Service						
	35/10	40/15	40/20	45/20	50/20	50/25	55/25
\$30,000	14,600	30,800	41,100	57,600	80,800	101,000	141,700
\$40,000	19,500	41,100	54,800	76,800	107,700	134,700	188,900
\$50,000	24,400	51,300	68,500	96,000	134,700	168,300	236,100
\$75,000	36,600	77,000	102,700	144,000	202,000	252,500	354,200

Connectiv Cash Balance Retirement Plan  
January 1, 1999 Account Balance Estimate  
(For employees formerly covered by the DP & L Plan)

Average Five Year Earnings	Age/Service						
	35/10	40/15	40/20	45/20	50/20	50/25	55/25
\$30,000	11,800	24,800	33,100	46,400	65,100	81,300	114,100
\$40,000	15,700	33,100	44,100	61,800	86,700	108,400	152,100
\$50,000	19,700	41,300	55,100	77,300	108,400	135,500	190,100
\$75,000	29,500	62,000	82,700	116,000	162,600	203,300	285,200

Q. Why are there two charts?

A. Pension benefits differed between the two merger partners, Atlantic Energy and Delmarva Power, and employees are entitled to the benefits already earned. Opening balances will be different for two hypothetical employees having the same age and length of service, but coming from different companies. But, going forward, future credits to the accounts will be computed in exactly the same manner.

Q. In general, what are the differences in the two plans?

A. The main difference is that Atlantic Energy employees could retire at 55 with no reduction in benefit, while Delmarva Power employees could retire at 60 with no reduction in benefit, or at 55 with a 24% reduction in benefit. The Atlantic Energy percentage multiplier is 1.6%, compared to the Delmarva Power 1.5%. On the other hand, Delmarva Power employees have an enhanced survivor benefit that Atlantic Energy employees do not have. These differences have been quantified and were used in calculating these tables.

Q. Are there additional key variables other than earnings, age, and service time to consider when reviewing these charts?

A. The tables reflect the present value of money. Another factor that may not be as obvious, but that is significant in the opening balance calculation, is your distance from retirement age. So while additional service is important and is reflected as you move from left to right in the chart, it is also significant that you are also moving closer to age 55. The closer you are to age 55 the less the benefit earned to date that must be discounted to compute the opening balance. Or conversely, the younger you are, the more of the benefit must be discounted to compute the opening balance. This is why the initial balances for younger people appear smaller.

Note: This information is intended to be used as a guideline only for eligible employees. The employees eligible for the cash balance pension plan are management employees currently enrolled in Connectiv Flex benefits.

JMC00002



## Update of Connectiv Facts (Originally Published in the Spring of 1998)

### New Cash Balance Pension Plan

Until now, employees of both DPL and AE have been covered by what are known as "final pay" pension plans. The "cash balance" pension plan is a new concept that has two important advantages: It's easier to *understand* than the former plans, and it's totally "*portable*." Both these features support our goal of designing a benefits package that meets the needs of today's more independent, more mobile workforce. The new cash balance pension plan will take effect January 1, 1999.

### Benefit Easier to Understand

The way the new pension works is simple. Each year the company makes a cash contribution equal to a percentage of your total pay, including overtime and bonus, to your individual pension account. Throughout your Connectiv career, your account grows through additional yearly company contributions, plus interest. When you retire, the cash value of your account is yours.

Over the years, as you watch your pension account grow, you'll have a clearer idea of your own financial position. And you'll be able to plan for your future.

### Portability a Plus

With the new cash balance plan, if you leave Connectiv after you are vested and have completed five years of service, you can transfer your pension account either to your new employer's plan or to your own IRA. Taxes are deferred on the transfer, so your full account can continue growing for the rest of your working years.

### Company Contributions and Interest

Connectiv makes all the contributions to your cash balance pension account. These contributions are based as a percentage of your *total* pay, *including* overtime and bonuses. Contributions increase with age, as shown below. You are not required to contribute to the pension plan.

Annual Company Pension Contributions			
Age <sup>1</sup>	Pension Credit (% of Pay)	Age	Pension Credit (% of Pay)
Under 30	5%	40-44	8%
30 to 34	6%	45-49	9%
35-39	7%	50 and over	10%

<sup>1</sup> Based on your age as of January 1st; contributions are prorated if you move to a higher age bracket in mid-year.

The company also credits your account with *interest* each year based on the current 30-yr. U.S. Treasury bond rate. This rate changes based on economic conditions. Currently it is 5%. Historically, it has averaged about 8%.

#### Conversion to the New Pension Plan

The new cash balance pension plan will cover all Conectiv management employees as of January 1, 1999. Benefits already earned under the former DPL and AE pension plans are *fully protected* and will be converted to an equivalent cash amount. This will form your "starting balance" under the new plan.

Your starting balance will, in essence, provide you with the lump-sum amount you would need today to purchase a lifetime annuity equal to the benefit you've earned to date under your DPL or AE pension plan. The conversion formula will take in account any early retirement and survivor benefits which are part of the current plans.

#### Transition Credits with Ten or More Years' Service

If you have completed between ten and 35 years of service with DPL or AE as of January 1, 1999, you will also be eligible for annual *transition credits*. This means the company will contribute an *additional* amount to your pension account *each year*. Your transition credit percentage depends on your completed service as of January 1, 1999, and remains constant until you have completed 35 years of service. At that point, transition credits stop.

Annual Transition Credits			
Service as of 1/1/99	Transition Credit (% of Pay)	Service as of 1/1/99	Transition Credit (% of Pay)
10 to 11 years	1%	16 to 19	3%
12 to 15 years	2%	20 years or more	4%

For example, if you have completed 13 years of service as of January 1, 1999, the company will make an additional contribution of 2% of your total pay to your account every year until you complete 35 years of service.

#### Annual Statements

Each year, you'll receive a personal statement of your pension account which will show the company's contributions (basic amount plus any transition credits), interest credit and total balance, so you'll be able to watch the progress of your account over the years.

#### "Grandfather" Protection for Older and Long Service Employees

JMC00004

Of course, many employees have already worked for most of their careers under the former "final pay" pension plans. For this reason, two groups of people will continue to be covered by their former plans for the next ten years. They are employees who, as of January 1, 1999:

- have completed 20 years of service, or
- are age 50 or older.

These "grandfathered" employees will have their pensions calculated under both the former and new plans, and will receive whichever value is greater. As an additional benefit, grandfathered employees have the option to elect a lump sum distribution under the former plan.

#### Payment Options at Retirement

The new pension plan also gives you a great deal of flexibility when you retire. You may take the full value of your pension in a single lump sum, which you may then roll over, tax deferred, into the investment vehicle you select. Or you may elect guaranteed lifetime monthly payments for yourself, or for you and your spouse (an "annuity").

#### Survivor Benefits

If you die after you are vested but before retirement, the new pension plan provides another advantage to your survivor. Under the former plans, survivor benefits were payable only to the spouse, and then at an amount equal to about *half* of your accrued benefit. With the new plan, the *entire cash value* of your pension account would be paid to your beneficiary who, with your spouse's consent, can be anyone you name.

<b>A Quick Look at the New "Cash Balance" Pension Plan</b>	
<b>Company Contributions</b>	Made annually to your account based on a percentage of pay. Age-related percentages range from 5% to 10%.
<b>Interest</b>	Credited each year, based on the 30-year U.S. treasury bond rate at the time.
<b>Conversion to New Plan</b>	Benefits accrued under DPL and AE pension plans to be converted to a cash equivalent starting balance under new plan. Starting balance also credited with interest annually.
<b>Transition Credits</b>	With 10 years of service as of 1/1/99, you receive an additional annual company contribution of 1% to 4% of pay.
<b>Vesting</b>	Upon completion of five years of service (including service with DPL and AE).
<b>Portability</b>	Totally portable: current value of your account is yours if you leave Connecticut after you are vested.
<b>Survivor's Benefit</b>	Full current value of your account is paid to your spouse or beneficiary if you die while actively employed.
<b>Payment options at retirement</b>	Lump-sum cash option, or several lifetime monthly payment options (annuities): cash option can be rolled over to an IRA to continue tax deferral.

Updated 12/21/98

JMC00005

# **KREMMEL EXHIBIT E**

# MidWeek Extra

## Cash balance update

June 23, 1999

Opening statements for the Cash Balance Pension Plan will be mailed to employees' homes beginning next week. Thirty informational meetings are scheduled throughout the company from July 12 to July 29 to familiarize employees with the plan and to answer questions. A draft schedule is below. This schedule is firm, but could be amended if there are major conflicts in your area.

Because this issue is very important to employees, the meetings are being scheduled during working hours. As managers, please make sure that everyone who wishes to attend the information sessions is given the opportunity. If employees are unable to attend meetings at their work sites, they may attend sessions elsewhere.

These meetings will be the best source of information on the plan and employees' opening balances. Recent stories in the national media have raised concerns about some cash-balance plans that do not offer the same level of financial security or grandfathering provisions as Connectiv's Cash Balance Pension Plan. One part of the presentation will address these concerns and demonstrate how Connectiv's plan is different. Members of the leadership group of managers and above are invited to the first meeting, July 12 at the Conference Center. This meeting will give you perspective you can use to help yourself and your employees.

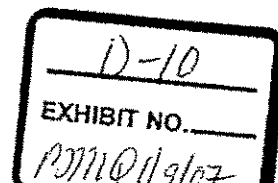
The Cash Balance Pension Plan is a portable pension that you may take with you if you leave the company at any time after a five-year vesting period. The Vanguard Group will act as the plan administrator, and the Towers Perrin consulting firm will act as the actuary. The plan is easy to understand. Each year, the company makes a cash contribution to your account equal to a percentage of your total pay, including overtime and variable pay. Through your career, the account grows with additional contributions and accrued interest. When you leave or retire, the value of the account is yours, provided you are vested.

It's important to note that opening balances reflect the current value of your benefit under the Delmarva and Atlantic plans. Keep in mind that the balances reflect the present-day value of money. This balance will continue to grow through annual contributions, interest, and depending on your age and service, transition credits. The calculations will be discussed at the meetings.

Upon receipt of the statements, employees should check the information. If you believe any of the info in your statement is incorrect, follow the instructions on the opening-balance statement. Please do not call the Human Resources Service Center or the plan administrator.

If you or your employees have any questions after receiving the opening statements, please hold them until the meetings, where experts will be available to respond. The meetings were scheduled after the mailings to enable employees to prepare questions. They will be the best source of information on the plan at this time. After the meetings, the Human Resource Service Center and Vanguard will be prepared to answer any questions you may have going forward.

(see schedule, next page)



<p align="center"><b>VANGUARD GROUP</b>  <b>CONNECTIV CASH BALANCE PLAN</b>  <b>VOLUNTARY INFORMATIONAL MEETING SCHEDULES</b></p>			
<i>Date</i>	<i>Location</i>	<i>Time</i>	<i>On-Site Contact</i>
<i>Mon., 7/12</i>	Top 209 Mtg – Conf Center, Room C UoP – Conf Center, Room C	8a-9:30a 10a-11:30a 1:00p-2p 2:30p-4p	Marie Falkowski, 8-235-5
<i>Tues., 7/13</i>	NDGO – Operations Conf Rooms A, B, C	11p-12:30p 1:30p-3p 3:30p-5p	Janet Rudinoff, 8-225-448
<i>Wed., 7/14</i>	King Street – Multi-Purpose Room	10:30a-12p 1:30p-3p 3:30p-5p	Kelley McMillan, 8-220-3
<i>Thurs., 7/15</i>	Pencader – Pencader Room	9a-10:30a	Caren Samluk, 8-225-5771
<i>Thurs., 7/15</i>	MLK – Multi-Purpose Conf Room	1:30p-3p	TBA
<i>Fri., 7/16</i>	Data Center – Rooms 2 A&B	9a-10:30a 1:30p-3p	Carol Peterson, 8-235-514
<i>Mon., 7/19</i>	Centreville – General Meeting Room	9a-10:30a	Terri Layton, 8-425-4125
<i>Mon., 7/19</i>	SDGO – Room 1, 1 <sup>st</sup> Floor	1:30p-3p 3:30p-5p	Lora Brittingham, 8-230-6
<i>Tues., 7/20</i>	Millsboro – Main Conf Room	9a-10:30a	Nancy Gosnell, 8-440-335
<i>Tues., 7/20</i>	Indian River Power Plant – 1 <sup>st</sup> Fl Conf Room	1:30p-3p	Melinda Taylor, 8-330-35
<i>Wed., 7/21</i>	Indian River Power Plant – 1 <sup>st</sup> Fl Conf Room	8:30a-10a	Melinda Taylor, 8-330-35
<i>Wed., 7/21</i>	Caney's Point (TENTATIVE)	3:30p-5p	TBA
<i>Thurs., 7/22</i>	Delaware City Power Plant – General Mtg Rm	9a-10:30a	Debbi Murray, 8-320-6711
<i>Thurs., 7/22</i>	EdgeMoor Power Plant/Hay Rd – 1 <sup>st</sup> Fl Assembly Room	1:30p-3p	Arta Trabant, 8-325-7047
<i>Mon., 7/26</i>	Deepwater Station, NJ – 4 <sup>th</sup> Fl Conf Room	9a-10:30a	Donna Harris, 8-500-1726
<i>Mon., 7/26</i>	B L England, NJ – General Conf Room	1:30-3p	Mary Ann Jarman, 8-500-
<i>Tues., 7/27</i>	Glassboro/Winslow – Main Conf Room	9a-10:30a	Brenda Okamoto, 8-500-7
<i>Tues., 7/27</i>	Cape May, NJ – Main Conf Room	2:30p-4p	Louise McNew, 8-500-381
<i>Weds., 7/28</i>	Admin Complex/Pleasantville, NJ – Cafeteria	9a-10:30a	Cheryl, 8-500-4317
<i>Weds., 7/28</i>	Mays Landing, NJ – Conf Room G	1:30p-3p	Trish Smith, 8-500-6475
<i>Thurs., 7/29</i>	B L England, NJ – General Conf Room	9a-10:30a	Mary Ann Jarman, 8-500-

Note: Where a morning meeting is planned, the room has been reserved for all morning. Conversely, where an afternoon meeting is planned, the room has been reserved for all afternoon. Also, an overhead projector has been reserved for each meeting site.

# **KREMMEL EXHIBIT F**



## Conectiv: Cash Balance Pension Plan

A New and Valuable Plan for Today's Employees

July 1999



## Today's Agenda

- |                                   |               |
|-----------------------------------|---------------|
| • Introduction and Overview       | Conectiv      |
| • What is Cash Balance?           | Conectiv      |
| • Differences of Old vs. New Plan | Towers Perrin |
| • Vanguard's Role                 | Vanguard      |
| • Answering Your Questions        | All           |

## Why are We Here?

- Overview for the change to a new plan
- Highlight advantages of the new plan
- Explain how the cash balance plan works
- Help you understand the value of your pension
- Make sure you understand Vanguard's role with regard to your pension and 401(k) plans
- Answer your questions

## Why Change to a New Plan?

The Workplace Has Evolved Since Pension Plans were First Introduced

- Our business is changing and to succeed, we must attract and retain a more independent, more mobile workforce. Today's employees desire pension portability.
- Our benefits programs need to reflect the evolving needs of our employees.

## Why Cash Balance Benefits Today's Employees

- Easier access
  - Your account is portable—you can take it with you after you've vested
- Higher confidence
  - The new plan is easier to understand—company makes an annual contribution to your account
- More convenience
  - You'll have a great deal of flexibility in choosing payment options when you retire

## Why Cash Balance Benefits Today's Employees

- Greater comfort
  - You'll receive an annual statement so you'll know the value of your account each year
- Better value
  - New plan captures the best of final pay and cash balance retirement plans
  - Annual interest credit rate higher than normal
  - "Grandfather" protection for pre-retirement and long service employees

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10/10/07

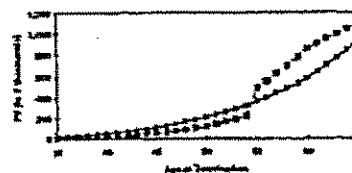
*Jim Hamble in HR*



### Important Perspectives on Connectiv's New Retirement Program

- New plan is a cash balance plan
- Cash balance plans are controversial
  - Series of Wall Street Journal articles
  - Congressional hearings
- Criticisms leveled at cash balance plans
  - Alaska's cost cutting
  - Poor handling of communication/transition
  - Accounts cease for certain employees

Important Perspectives on Connectiv's New Retirement Program  
Traditional Plan Pay Plan vs Cash Balance Plan



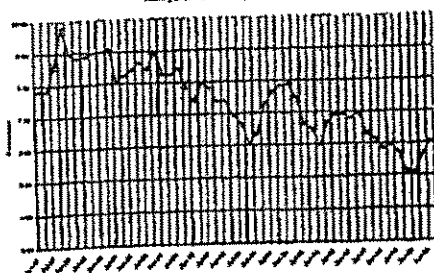
### Important Perspectives on Connectiv's New Retirement Program

- New program not designed to provide cost savings for Connectiv
- New cash balance plan captures best of both types of retirement plans
  - Guaranteed benefit feature of prior retirement plan
  - Portability and precise account balance feature of an individual account plan like the current 401(k) plan
- Connectiv matching contribution increased under 401(k) plan for former Delmarva people

### Important Perspectives on Connectiv's New Retirement Program

- New cash balance plan provides higher than average annual contribution credit
- Additional contribution credits made each year for all employees with at least 10 years of service by the end of 1998
  - Continued until you have 35 years of service
- Annual interest credit rate on account balance higher than average
  - Majority of plans have a rate based on 10 years or shorter term
- Value of prior plan, including early retirement values and survivor benefit, preserved at time of conversion to account balance
  - All employees immediately start earning additional benefit amounts

CONNECTIV  
History of 10-Year Tenure Benefit



### Important Perspectives on Connectiv's New Retirement Program

- Prior retirement plan formula continues for 10 years for broader group of employees than most employers cover
  - Age 55 or 25 years of service
  - Get better of prior plan or new formula
- Conversion of old prior plan formula to opening account included generous features
  - Early retirement subsidy included
  - Survivor benefit value included, even for single employees

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### Basics of New Conectiv Cash Balance Plan

#### Opening Balance

- Fair value of prior plan benefit earned through 1998
- Determined using 7% long-term rate for conversion and includes value of early retirement benefit and spouse death benefit
- You immediately begin to earn additional retirement benefits

#### Employee Contributions

- You are neither required nor permitted to contribute your own money to the plan
- You can contribute more money to your 401(k) plan

### Basics of New Conectiv Cash Balance Plan

#### Conectiv Contributions

- Conectiv will credit your account at the end of each year with a promised percentage of your total pay
- Contribution amount will be at least 5% of your total pay and increases up to 10% on your age
  - Continues as long as you remain employed
- Total pay includes your base pay or salary, overtime, shift differential and bonus
- Additional annual contributions will be credited to your account if you had at least 10 years of service by the end of 1998
  - Continues until you have 35 years of service

### Basics of New Conectiv Cash Balance Plan

#### Account Earnings

- Your account will be credited with interest at the end of each year based on the rate for the 30-year U.S. Treasury bond

#### Account Balance Protection

- The value of your account balance is guaranteed by Conectiv and the Pension Benefit Guaranty Corporation

#### Grandfather Protection

- If you were either age 50 or had 20 years of service by January 1, 1999, you continue to earn pension benefits under your prior retirement formula for next 10 years of continued service

### Basics of New Conectiv Cash Balance Plan

#### Entitlement To Your Account

- You are fully vested in your account balance and all future Conectiv contributions and earnings credited to your account once you have completed five years of service
- You may withdraw the full value of your account when you leave Conectiv for any reason if you are vested in your account
  - No waiting until early retirement age to receive account
  - Value is capped at 650% of final average pay
  - Can roll over to IRA

### Basics of New Conectiv Cash Balance Plan

#### Right To A Monthly Pension

- If you don't want to withdraw your account in a lump sum, you may elect to receive a monthly pension as you could under the prior plan
  - Monthly pension will be better if monthly pension you are entitled to under prior plan (including grandfather protection if applicable) is provided as a lifetime benefit by your cash balance plan account

#### Death Benefit

- If you are vested and die, your entire account balance will be paid to your spouse or other designated beneficiary

### Calculation of Conectiv Opening Cash Balance

#### Opening Balance—Delmarva

- 60-month average of earnings from 1994 through 1998
- Credited years and months of benefit service from date of hire to December 31, 1998
- Delmarva accrued benefit is greater of:
  - (1.5% of 60-month average earnings) x (credited benefit service)
  - (1.25% of 60-month average earnings up to the monthly average of the Social Security Wage Base over the last 35 years) x (credited service)
  - + (1.6% of 60-month average earnings over the average Social Security Wage Base) x (credited service)

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*DATE 12/98 age 49 average pay*

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### Calculation of Conectiv Opening Cash Balance

#### Opening Balance—Atlantic

- 60-month average of earnings from 1994 through 1996
- Credited years and months of benefit service from date of hire up to December 31, 1996
- Atlantic accrued benefit is:
  - $(1.6\% \text{ of } 60\text{-month average earnings}) \times \text{credited years and months of benefit service}$
  - Service capped at 30 years if hired after January 1, 1993

### Calculation of Conectiv Opening Cash Balance

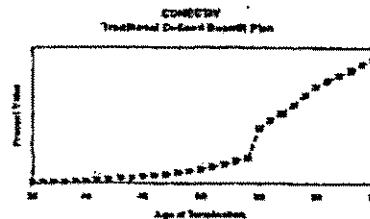
#### Early Retirement Subsidy—Delmarva

- Benefit is payable without reduction at Normal Retirement Age = 65
- Eligible for early payment of benefit as early as age 55 with 15 years of service
- Benefit is reduced for payment earlier than 65 as follows:
  - 5% reduction (8%) at ages 58-64
  - 10% reduction (20%) at age 56
  - 15% reduction (30%) at age 57
  - 20% reduction (40%) at age 58
  - 24% reduction (48%) at age 55
- No reduction at age 60 and above if credited service is 20 years or more

### Calculation of Conectiv Opening Cash Balance

#### Early Retirement Subsidy—Atlantic

- Benefit is payable without reduction at Normal Retirement Age = 65
- Eligible for early payment of benefit as early as age 55 with 5 years of service
- Benefit is not reduced for payment earlier than 65



### Calculation of Conectiv Opening Cash Balance

#### Spouse Death Benefit—Delmarva

- Delmarva pays spouse death benefits at no charge to employee
- Generally, a spouse death benefit is worth 6% to 10% to married employees
- For opening account balances, Conectiv has provided a 13% death benefit for all employees, regardless of whether or not they were married on December 31, 1996

### Calculation of Conectiv Opening Cash Balance

#### Present Value

- Interest rate used to determine present value is 7%
- Value of benefit is determined at earliest retirement age (or current age if later)
- Value of benefit is discounted back to current age, if applicable

### Calculation of Conectiv Opening Cash Balance

#### Example

- Current age = 40; Credited benefit service = 10 years
  - 1998 pay = \$38,000
  - 1997 pay = \$37,000
  - 1996 pay = \$35,000
  - 1995 pay = \$33,000
  - 1994 pay = \$31,000
  - Average pension earnings = \$34,800
  - 60-month average earnings = \$2,900

### Calculation of Conectiv Opening Cash Balance

#### Example

- Delmarva monthly accrued benefit is greater of:
  - $(1.5\% \text{ of } \$2,900) \times (10 \text{ years}) = \$435$
  - $(1.2\% \text{ of } \$2,534 \text{ (monthly average of SSAB)}) \times (10 \text{ years}) + (1.6\% \text{ of } \$205 \text{ (average of } \$2,900 \text{ over } \$2,564)) \times (10 \text{ years}) = \$386$
- Atlantic monthly accrued benefit is greater of:
  - $(1.5\% \text{ of } \$2,900) \times (10 \text{ years}) = \$435$

### Calculation of Conectiv Opening Cash Balance—Delmarva

- Value of accrued benefit at age 55 (age eligible for early retirement)
  - Monthly accrued benefit = \$435
  - Truesdell annuity factor = 141.8672
  - Value of benefit at age 55, assuming benefit is paid monthly from age 55 until death, using current mortality assumptions and 7% interest
  - Times early retirement factor = 0.78
  - Reduction applied at earliest retirement age, 55, assuming continued service
  - Times spouse death benefit factor = 1.12
  - Equals \$52,824
- Discount age 55 value back to current age
  - 15 years discount from earliest retirement age (55) to current age (40)
  - $\$52,824 \div 2.799032 = \$18,862$

### Conectiv Cash Balance Account vs. Prior Plan—Delmarva

Current Age	Current Service	Current Pay	Value of Benefits (in \$ Thousands)	
			Cash Balance Plan	Prior Delmarva Plan
35	5	40	0	0
36	6	40	12	3
37	7	40	29	30
38	8	40	140	53
39	9	40	190	102
40	10	40	329	202

### Calculation of Conectiv Opening Cash Balance—Atlantic

- Value of accrued benefit at age 55 (age eligible for early retirement)
  - Monthly accrued benefit = \$435
  - Truesdell annuity factor = 141.8672
  - Value of benefit at age 55, assuming benefit is paid monthly from age 55 until death, using current mortality assumptions and 7% interest
  - Times early retirement factor = 1.0
  - Reduction applied at earliest retirement age, 55, assuming continued service
  - Equals \$66,734
- Discount age 55 value back to current age
  - 15 years discount from earliest retirement age (55) to current age (40)
  - $\$66,734 \div 2.799032 = \$23,825$

### Conectiv Cash Balance Account vs. Prior Plan—Atlantic

Current Age	Current Service	Current Pay	Value of Benefits (in \$ Thousands)	
			Cash Balance Plan	Prior Atlantic Plan
35	5	40	0	0
36	6	40	15	15*
37	7	40	38	38*
38	8	40	120	120*
39	9	40	225	225
40	10	40	363	363

\*Assumed value only, before 15-year discount from earliest retirement age 55.

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### Conectiv Cash Balance Going Forward

#### Accrual of Account Balance

- Conectiv contributes 5% to 10% of pay into your account at the end of each year
- Contribution amount dependent on age each year
 

- Up to age 29	5%
- Age 30-34	6%
- Age 35-39	7%
- Age 40-44	8%
- Age 45-49	9%
- Age 50 and over	10%

### Conectiv Cash Balance Going Forward

#### Accrual of Account Balance

- Additional transition contributions made at the end of the year if you had 10 years of service on December 31, 1998
- Transition contribution amount dependent on service on December 31, 1998
 

- Service less than 10 years	0%
- Service of 10-11 years	1%
- Service of 12-15 years	2%
- Service of 16-19 years	3%
- Service of 20 years or more	4%
- Account balance is credited with interest at the end of each year
  - Interest based on the rate for 30-year Treasury bonds—5.81% in 1998

### Conectiv Cash Balance Going Forward

#### Example

- Current age = 40; 1999 pay = \$40,000
- EOY account balance = \$20,000; credited service on 12/31/1998 = 10 years
- EOY account balance is the sum of:
  - Conectiv annual contribution = \$3,200 (8% of \$40,000)
  - Transition contribution = \$400 (1% of \$40,000)
  - Interest credit for one year = \$1,000 (\$20,000 times 5.01%)
  - Equals \$4,600

### The Vanguard Group—Your Retirement Plan Administrator

#### • Who we are

- You know us—We're recordkeepers and investor for Conectiv Savings and Investment 401(k) Plan
- As of July we're now recordkeeper for Cash Balance Plan

### Vanguard Advantages

- "One-stop resource" for 401(k) and Cash Balance questions
- Participant Services can help with both plans at 1-800-523-1158
- Recordkeeper for PAYSOP/ESOP Plan

### 401(k)/Cash Balance Difference

- Important note: with Cash Balance, you cannot
  - Direct investments
  - Take loans
  - Contribute
  - Annual statement vs. quarterly with 401(k) (cash balance statement only changes annually)
  - Next annual Cash Balance statement comes from Vanguard—tent April

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### Retirement Plan Services Through Vanguard

- Request cash balance estimates at retirement and future projections
- Request a benefit estimate
  - Initially this takes 10-15 days for written estimate
  - In early 2000, estimates online and by mail in 2 days

### Retirement Plan Services Through Vanguard

- Notices sent for vested, accrued benefits and cash balance upon termination
- Payout options and paperwork
  - Lump sum
  - Roll over to an IRA
  - Spousal consent forms
- Notification at age 65 with payout information and paperwork
  - Note: Keep address current with Conectiv Human Resource Service Center

### Retirement Plan Services Through Vanguard

- Plan information:
  - Plan provisions
  - Payout options
  - Eligibility
  - Vesting

# EXHIBIT 2

## COPY OF TRANSCRIPT

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

PORTIONS CONFIDENTIAL

J. MICHAEL CHARLES; MAURICE W.  
WARD, JR.; and JOSEPH I. FINK, JR.,  
on behalf of themselves and  
all others similarly situated,  
Plaintiff

V C.A. No. 05-702 (SLR)

PEPCO HOLDINGS, INC.; CONECTIV, and  
PEPCO HOLDINGS RETIREMENT PLAN,  
Defendants

THOMAS S. TROUP, on behalf of himself  
and all others similarly situated,  
Plaintiff

V C.A. No. 06-10 (SLR)

PEPCO HOLDINGS, INC.; CONECTIV, and  
PEPCO HOLDINGS RETIREMENT PLAN,  
Defendants

Oral deposition of JOSEPH  
I. FINK, taken at the law offices of  
Pepper Hamilton LLP, 3000 Two Logan  
Square, Eighteenth and Arch Streets,  
Philadelphia, Pennsylvania, on  
Thursday, January 11, 2007,  
commencing at 9:34 a.m., before  
Barbara McKeon Quinn, a Registered  
Merit Reporter and Notary Public,  
pursuant to notice.



**James DeCrescenzo Reporting, LLC**

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PHONE

INNOVATING LITIGATION  
1880 JFK Boulevard, Philadelphia, PA 19103

215.751.0581  
FAX

<p style="text-align: center;">46</p> <p>1 casual dialogue in an office.</p> <p>2 Q. Do you believe personally</p> <p>3 today that the cash balance plan is</p> <p>4 not as lucrative as the original ACE</p> <p>5 plan?</p> <p>6 A. Yes.</p> <p>7 Q. Why?</p> <p>8 A. Just by looking at that</p> <p>9 Pension Estimator, knowing my current</p> <p>10 age, my current length of service,</p> <p>11 and seeing what people are leaving</p> <p>12 now as that window for grandfathering</p> <p>13 is closing, looking at their numbers.</p> <p>14 Q. So some departing employees</p> <p>15 have shared their numbers with you?</p> <p>16 A. That's correct.</p> <p>17 Q. Do you remember who they</p> <p>18 are?</p> <p>19 A. Yes.</p> <p>20 Q. Who?</p> <p>21 A. Scott Baker, for one.</p> <p>22 Q. Who else?</p> <p>23 A. Charles Weeks.</p> <p>24 Q. How do you spell Weeks?</p>	<p style="text-align: center;">48</p> <p>1 Weeks are grandfathered?</p> <p>2 A. Yes, they are.</p> <p>3 Q. Now, when you say -- you</p> <p>4 used the term numbers, that you</p> <p>5 looked at their numbers. I assume</p> <p>6 that's the lump sum payment they'd be</p> <p>7 entitled to upon retirement?</p> <p>8 A. That's correct.</p> <p>9 Q. Would it be your intention</p> <p>10 when you retire to take your</p> <p>11 retirement benefits in a lump sum</p> <p>12 payment?</p> <p>13 A. More than likely.</p> <p>14 Q. Do you know any Conectiv</p> <p>15 employee who was offered the option</p> <p>16 of an immediate lump sum payment when</p> <p>17 they retired who declined it?</p> <p>18 A. I can't say.</p> <p>19 Q. Can you think of any?</p> <p>20 A. No.</p> <p>21 Q. So to the best of your</p> <p>22 knowledge, everyone that you know</p> <p>23 who's retired has taken the option to</p> <p>24 receive their benefits in a lump sum?</p>
<p style="text-align: center;">47</p> <p>1 A. W-E-E-K-S.</p> <p>2 Q. Okay. Like multiple weeks?</p> <p>3 A. Yes.</p> <p>4 Q. Anybody else?</p> <p>5 A. Just them specifically</p> <p>6 because of their -- they are my</p> <p>7 contemporaries in the same building</p> <p>8 performing the same function and are</p> <p>9 capable in age. Slightly older.</p> <p>10 Q. Do you know how old Mr.</p> <p>11 Baker was when he retired?</p> <p>12 A. These gentlemen have not</p> <p>13 retired. They are -- they are</p> <p>14 currently positioning to retire.</p> <p>15 Q. What do you mean by</p> <p>16 "positioning to retire"?</p> <p>17 A. They have I presume called</p> <p>18 an actuary to get those figures.</p> <p>19 Q. And how old is Mr. Baker</p> <p>20 today, if you know?</p> <p>21 A. I want to say 54.</p> <p>22 Q. And Mr. Weeks?</p> <p>23 A. 54.</p> <p>24 Q. And both Mr. Baker and Mr.</p>	<p style="text-align: center;">49</p> <p>1 A. To the best of my</p> <p>2 knowledge.</p> <p>3 Q. Let's take a look at</p> <p>4 Pension Estimator.</p> <p>5 MR. BASSMAN: I think we're</p> <p>6 up to 31.</p> <p>7 (Exhibit D-31 was marked</p> <p>8 for identification.)</p> <p>9 BY MR. BASSMAN:</p> <p>10 Q. Mr. Fink, you've been</p> <p>11 handed a document that's been marked</p> <p>12 Defendant's Exhibit 31. If you could</p> <p>13 just take a moment to look it over.</p> <p>14 Looks like I gave you the</p> <p>15 wrong one. This wasn't the one I</p> <p>16 meant to give you. Pass that back to</p> <p>17 me. We'll keep this and use it in a</p> <p>18 little bit.</p> <p>19 (Exhibit D-32 was marked</p> <p>20 for identification.)</p> <p>21 BY MR. BASSMAN:</p> <p>22 Q. Mr. Fink, you've been now</p> <p>23 presented with a document that was</p> <p>24 marked Defendant's Exhibit 32. If</p>



**James DeCrescenzo Reporting, LLC**

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1880 JFK Blvd., 6<sup>th</sup> Floor, Philadelphia, PA 19103

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<p style="text-align: center;">102</p> <p>1 discussion with coworkers in 1999</p> <p>2 about media stories about cash</p> <p>3 balance plans?</p> <p>4 A. One liners. No real</p> <p>5 discussion.</p> <p>6 Q. What sort of one liners do</p> <p>7 you remember?</p> <p>8 A. People's comments of, you</p> <p>9 know, they're really getting us or</p> <p>10 this is, you know, a real bargain</p> <p>11 kind of thing.</p> <p>12 Q. A real bargain for the</p> <p>13 employer?</p> <p>14 A. Yes. It was derisive type</p> <p>15 of things.</p> <p>16 MR. SAUDER: And just to</p> <p>17 clarify, just to read the full</p> <p>18 sentence it says, Recent stories in</p> <p>19 the national media have raised</p> <p>20 concerns about some cash balance</p> <p>21 plans that do not offer the same</p> <p>22 level of financial security or</p> <p>23 grandfathering provisions as</p> <p>24 Conectiv's cash balance pension plan,</p>	<p style="text-align: center;">104</p> <p>1 the term "unhappy."</p> <p>2 BY MR. BASSMAN:</p> <p>3 Q. Well, do you want me to</p> <p>4 rephrase the question?</p> <p>5 A. Please.</p> <p>6 Q. In 1999, did you believe</p> <p>7 that you would be adversely affected</p> <p>8 financially by the switch to a cash</p> <p>9 balance plan?</p> <p>10 A. I was unsure but highly</p> <p>11 suspicious.</p> <p>12 Q. And why were you suspicious</p> <p>13 in 1999?</p> <p>14 A. Because of things like we</p> <p>15 just touched on. Bantering of</p> <p>16 coworkers as you pass by and</p> <p>17 one-line, you know, statements about</p> <p>18 total payoffs and what they could</p> <p>19 possibly be and the loss of funds.</p> <p>20 Q. When other employees made</p> <p>21 statements to you in 1999, these</p> <p>22 derisive comments that you've</p> <p>23 described, did you ask them any</p> <p>24 follow-up questions?</p>
<p style="text-align: center;">103</p> <p>1 period.</p> <p>2 Next sentence, One part of</p> <p>3 the presentation will address these</p> <p>4 concerns and demonstrate how</p> <p>5 Conectiv's plan is different.</p> <p>6 BY MR. BASSMAN:</p> <p>7 Q. Who do you remember in 1999</p> <p>8 making these derisive comments?</p> <p>9 A. I can't -- I couldn't give</p> <p>10 you a name. It was just the</p> <p>11 common -- it was common bantering of</p> <p>12 anybody that was affected by this.</p> <p>13 Q. Did you take part in that</p> <p>14 bantering in 1999?</p> <p>15 A. I can't say that I did, no.</p> <p>16 Q. Can you say that you</p> <p>17 didn't?</p> <p>18 A. I couldn't say either way.</p> <p>19 Q. It's possible?</p> <p>20 A. It's possible.</p> <p>21 Q. In 1999 were you unhappy</p> <p>22 with the switch to a cash balance</p> <p>23 plan?</p> <p>24 MR. SAUDER: Objection to</p>	<p style="text-align: center;">105</p> <p>1 A. No.</p> <p>2 Q. After you heard these</p> <p>3 derisive comments in 1999, did you</p> <p>4 yourself take any steps to research</p> <p>5 cash balance plans?</p> <p>6 A. I can't say that I did at</p> <p>7 this point in 1999. I can't say</p> <p>8 that. I don't think I had a good</p> <p>9 enough understanding. I don't think</p> <p>10 there was enough information</p> <p>11 presented to me, or at least that I</p> <p>12 had access to, based on the things</p> <p>13 that I have explained to you about</p> <p>14 the closing of facilities, the</p> <p>15 movement of people, and so on.</p> <p>16 Q. Understanding that you</p> <p>17 didn't feel you had much information</p> <p>18 in 1999, did you take any steps in</p> <p>19 1999 to find out more about</p> <p>20 Conectiv's cash balance plan?</p> <p>21 A. Outside of my contact to</p> <p>22 the HR representative to say, you</p> <p>23 know, is there any information about</p> <p>24 this in maybe '04, I had a similar</p>



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<p style="text-align: center;">106</p> <p>1 kind of contact casually with that 2 person because I've known the HR 3 representative; actually used to work 4 for me. 5 Q. So in 1999 you went and 6 spoke with the HR representative? 7 A. I can't say that I sought 8 him out. It was a casual contact 9 somewhere. You know, it was like, 10 hey, George, you know, what's up with 11 that kind of thing. 12 Q. What's George's last name? 13 A. Bleazard. 14 Q. Can you spell that. 15 A. B-L-E-A-Z-A-R-D. 16 Q. And what did George say to 17 you? 18 A. He said he thought it was 19 better because it was portable and so 20 on and the company was very adamant 21 about that it was better, from what 22 little information I could ever get, 23 because it was portable, and I see 24 that in these documents frequently.</p>	<p style="text-align: center;">108</p> <p>1 employee left the company at age 30 2 they couldn't take an immediate lump 3 sum on their pension; they had to 4 wait until age 55 or 65? 5 A. That is correct. That was 6 my understanding. 7 Q. Do you agree with George 8 today that the portability in the 9 cash balance plan is a benefit that 10 wasn't contained in the old Atlantic 11 City plan? 12 A. It may be the only benefit. 13 Q. But it is a benefit? 14 A. I would think it would be 15 beneficial for anybody that was a 16 short-term person of five, six, 17 seven, eight years to be able to -- 18 and young, to be able to move their 19 money where it could do them more 20 justice where they could get a bigger 21 sum of money that they could accrue 22 interest rates on. 23 Q. Do you think for short-term 24 employees the cash balance plan is</p>
<p style="text-align: center;">107</p> <p>1 Q. What is your understanding 2 of the term portable? 3 A. There was some dialogue at 4 some point, and I can't tell you 5 where or when, about the American 6 work force and how people that are 21 7 won't have jobs that will last 20, 25 8 years, 30 years for large 9 corporations or utilities and retire 10 from them. 11 People would have 12 futuristically three, four short-term 13 stints of employment, five years, 14 blah, blah, blah, ten years, 15 15 years. 16 Portable meaning that you 17 spend five years at AE and you take 18 your pension, it's not frozen into 19 your pension plan, you take that lump 20 sum and you can move it to where you 21 would want to move it to. 22 Q. And is it your 23 understanding that under the old 24 Atlantic City plan, if, say, an</p>	<p style="text-align: center;">109</p> <p>1 financially better than the old 2 Atlantic City plan? 3 MR. SAUDER: Objection. 4 THE WITNESS: I can't say. 5 BY MR. BASSMAN: 6 Q. No opinion about that one 7 way or the other? 8 A. I wouldn't -- I wouldn't -- 9 I don't have enough information 10 really complete. You know, there's 11 too many things to speculate there 12 for that, for somebody who's just 13 short-term, salary -- there's a whole 14 host of things. 15 Q. Let me give you a 16 hypothetical then. If an employee 17 were to start at Conectiv at age 18, 18 work for ten years and leave at age 19 28, do you think that person, that 20 particular person, would be better 21 off financially under the cash 22 balance plan or under the old 23 Atlantic City plan? 24 MR. SAUDER: Objection.</p>



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